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INFO RUCNCIS/CIS COLLECTIVE 0668

RUCNCLS/SOUTH AND CENTRAL ASIA COLLECTIVE

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RUEHBJ/AMEMBASSY BEIJING 0071

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RUEHBS/USEU BRUSSELS

RUEHVEN/USMISSION USOSCE 1955

RUCNDT/USMISSION USUN NEW YORK 1903

RUEHNO/USMISSION USNATO 2240

RUEHRC/DEPT OF AGRICULTURE WASHDC

RUCPDOG/DEPT OF COMMERCE WASHDC

RHEBAAA/DEPT OF ENERGY WASHDC

RUEAIIA/CIA WASHDC

RHEFAAA/DIA WASHDC

RHEHNSC/NSC WASHDC 0226

RUEKJCS/SECDEF WASHDC 0148

RUEKJCS/JOINT STAFF WASHDC

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SIPDIS

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SUBJECT: KAZAKHSTAN: NO CLEAR EVIDENCE OF RUSSIAN PRESSURE TO
DELAY GRAIN SHIPMENT TO GEORGIA

REF: GEHRENBECK-FAGIN OCTOBER 1 EMAIL

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: The Georgian media have alleged that a Kazakhstan grain shipment to Georgia was delayed because of Russian pressure. We spoke to several sources in Kazakhstan and could find no clear evidence that this was the case. Instead, we were told that there is, in fact, a shortage of Kazakhstani railcars available for grain export. Agriculture Minister Kurishbayev told the media that thus far only 290,000 tons of grain have been exported from a 2008 harvest which should ultimately yield 5.5 to 6 million tons for export. The Kazakhstanis reassured us that they will honor all their grain export contracts. A Kazakhstani firm in Petropavlosk just reached agreement with Georgia to export a shipment of flour. The firm promised it would fulfill the contract, but admitted it was encountering transportation problems. END SUMMARY.

13. (U) Embassy Tbilisi informed us on October 1 that, according to the Georgian media, Kazakhstan had failed to deliver on a pre-paid, 20,000-ton grain shipment to Georgia. Georgia's Rustavi-2 television reported that the Kazakhstani side had claimed they did not have railcars available to transport the grain. The Georgian purchasers could have sent their own railcars, but that would have caused a one-month delay and resulted in increased transport costs. As a result, the Georgians were looking for an alternative supplier, such as Ukraine. The Georgians were not convinced by Kazakhstani claims of transport problems and instead believed the Kazakhstanis tried to nix the deal because of Russian pressure.

14. (SBU) We followed up on the Georgian media reports with with several sources in Kazakhstan and have found no clear evidence that Russian pressure was a factor in the alleged delay of the grain shipment. Georgian Embassy counselor Zurab Kozmava, who does not usually shy away from pointing an accusing finger at Russia, expressed no serious concerns about the shipment in an October 1 conversation. He said that as far as he understood, the Georgian

side had cancelled the purchase and would get the grain from another country.

15. (SBU) Agriculture Ministry chief phytosanitary expert Kudaberdy Batayev, who is responsible for certifying the safety of Kazakhstani grain exports, told us on October 2 that he knew nothing about this specific shipment to Georgia, but said that there is, in fact, a shortage of Kazakhstani railcars and that, in addition, Kazakhstan's national railroad routinely has problems converting for grain shipment railcars used for other purposes at other times of the year. (NOTE: International oil companies operating in Kazakhstan have told us repeatedly that their own plans to increase crude and sulfur exports have been hampered by a shortage of both Kazakhstani railcars and locomotives. END NOTE.) Both these factors result in grain shipment delays. Batayev reassured us that Kazakhstan would honor all of its grain export contracts. Kazakhstani Grain Union Executive Director Mukhamedzhan Duysebayev essentially repeated Bateyev's comments during an October 3 discussion with us.

16. (SBU) Agriculture Minister Akylbek Kurishbayev told the media on October 2 that only 290,000 tons of grain had been exported from a 2008 Kazakhstani harvest which should ultimately yield 5.5 to 6 million tons for export. Transportation routes were overloaded, he explained, in part because of grain exports from Russia and Ukraine.

17. (SBU) On October 3, we reached representatives of KazakhZerno, a Petropavlosk-based company that had just completed negotiations with the Georgians for the sale of flour. They said they plan to fulfill their contract, but admitted that there were transportation problems. The Russians, they said, had informed shippers from the Petropavlosk region that Russia would only provide railcars to

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Kazakhstan for shipments to Russia. (NOTE: It is unclear whether this meant that the Russians were reserving their railcars for Russian-bound shipments because of their own railcar shortage, or to prevent shipments to Georgia. END NOTE.) As a result, KazakhZerno was seeking agreement with the Azerbaijanis to send their shipment to Georgia across the Caspian by ship and then from Azerbaijan onward by rail.

HOAGLAND